Film and Television Tax Credit Program

PROGRESS REPORT

August 2015

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Executive Summary

The California Film & Television Tax Credit Program (Program) was enacted in February 2009, as a targeted economic stimulus initiative designed to increase film and television production, jobs and tax revenues in California. The California Film Commission administers the Program and issues an annual report to provide the legislature, state government staff, and the public with an assessment of the Program's economic benefits to the state, as well as statistical information and insights into California's entertainment production industry.

This report arrives as the Program undergoes a major transformation. In September of 2014 Governor Brown signed into law Assembly Bill 1839, which grows the Program from $100 million to $330 million annually and expands project eligibility. The new Program, dubbed the Film and Television Tax Credit Program 2.0, begins with the 2015-16 fiscal year. Spending estimates and project information from its first year will be presented in next year's Progress Report.

The following report provides a summary for each fiscal year of the first-generation Program, from its launch in July 2009 through June 2014. It also includes spending estimates and project information for the most recent fiscal year (July 2014 - June 2015), which marks the final year before the new Program takes effect.

Building on an analysis introduced last year, the report demonstrates the efficacy of the Program by tracking what happens to projects that apply for but are denied tax credits. The evidence bolsters last year's findings that the overwhelming majority of such projects "runaway" to locales where tax credits are available, and this results in a substantial economic loss for California.

Of particular interest, on pp. 5-7 of this year's report, is an overview of the new Film and TV Tax Credit Program 2.0.

Finally, as in prior years, the 2015 report provides a brief overview of California's entertainment production industry--and the global competition for motion picture production jobs and revenue. California's signature industry has suffered while other states and countries build their production infrastructure and offer guaranteed incentives.

Information specific to this year's report includes:

- A summary of the new Film & Television Tax Credit Program 2.0. Enacted in January 2015, the five-year program increases fiscal year funding from $100 million to $330 million annually through FY 2020-21.

- A summary of the impact of each fiscal year of the Program through June 2015 based on spending by participating film and TV projects. In the aggregate, including the most recent fiscal year's conditionally allocated tax credits, approximately $760 million in credits has been allocated (reserved) for eligible projects. This investment yields **$5.93 billion** in total aggregate direct spending by projects in-state, including an estimated **$2.09 billion** in qualified (below-the-line) wages.

- An updated analysis of projects that applied to the Program but were denied due to insufficient availability of tax credits. Of the projects that were subsequently produced, only a small minority elected to shoot in California without the benefit of Program tax credits. The overwhelming majority of projects denied California tax credits elected to shoot outside the state in jurisdictions where tax credits were available. From 2010 – 2015, such 'runaway' projects accounted for $3.5 billion in production spending outside California (note: this figure does not include the economic loss to the state from projects that were either ineligible for the Program or that did not bother to apply as they sought more readily available incentives elsewhere). This data affirms the efficacy of tax credits in determining where a film or TV project is made.

- A summary of television series that relocated to California due to acceptance into the state's tax credit program. Since the program launched, four TV series have relocated from other states. Each year, the CFC receives applications from many TV shows seeking to relocate, and only those selected to receive credits have moved to California. With the launch of the Tax Credit Program 2.0, an additional four series are moving to California this year. Together these projects are estimated to spend $169.5 million during each (*single)* season in California. This report highlights the impact of the new program with regard to the relocating TV series category.

- An analysis of scripted television drama series production. This analysis reveals that as the number of 1-hour TV series produced annually continues to grow, California has lost substantial market share. From 2005 – 2014, the number of 1-hour TV series produced rose 95 percent industry-wide, yet the number of such shows produced in California has remained static: California's market share has declined from 65% (51 out 79) of all 1-hour TV series produced in 2005, to just 32% (49 out of 154) of all such shows in 2014.

- A brief overview of local/regional incentives across California. Such incentives have been created by cities and counties to attract film and television production. In addition, this section summarizes the economic impact in several counties where productions granted incentives shot, and highlights the provisions of Program 2.0 that provide added incentives for projects filming outside the Los Angeles region.

California Film Commission

California Film & Television Tax Credit Program

Progress Report – August 2015

With passage of the new Film and TV Tax Credit Program 2.0, the California Film Commission (CFC) currently administers two parallel programs that allocate tax credits to film and TV productions that meet specific criteria. The first generation California Film & Television Tax Credit Program (Program) was enacted in February 2009 as part of a targeted economic stimulus package to increase film and television production spending, jobs and tax revenues in California. This report summarizes the Program's progress from its launch in July 2009 through June 2015, and includes spending estimates and project information for the current fiscal year (July 2015 - June 2016). It also highlights the *new* Tax Credit Program 2.0, detailing major changes and administrative procedures, and summarizes the launch of the new program.

I. The New Tax Credit Program 2.0

In September 2014, Governor Brown signed bipartisan legislation establishing a new tax credit program, now dubbed the *California Film & Television Tax Credit Program 2.0* (Program 2.0). This act created a five-year program beginning in FY 2015-16 running through FY 2020-21 and increased funding from $100 million to $330 million per fiscal year. Aimed at retaining and attracting production jobs and economic activity across the state, Program 2.0 also expands eligibility to include a range of project types--big-budget feature films, TV pilots and 1-hr TV series for any distribution outlet--that were excluded from the state's first-generation tax credit program.

A key change to Program 2.0 replaces the prior random lottery system for selecting projects to receive tax credits with a "jobs ratio" ranking. The new ranking system selects projects based primarily on wages paid to below-the-line workers. It also takes into account qualified non-labor spending (vendor payments, equipment, etc.) and other criteria that allow applicants to accrue "bonus points." In addition, "uplifts" (an additional 5% tax credit) are now available for projects that shoot outside the Los Angeles 30-mile zone, or have qualified expenditures for visual effects (minimum thresholds apply), or perform music scoring/track recording in-state. (For a detailed explanation of how the new jobs ratio ranking and bonus points system works, please visit the CFC website: http://www.film.ca.gov/)

Under Program 2.0, tax credits are allocated in four dedicated "buckets" for different categories of production including: 1) TV projects (new series, miniseries, MOWs, pilots and renewed series already in the Program); 2) relocating TV series; 3) independent films; and 4) non-independent (e.g., studio) films. Allocating credits via these "buckets" enables applicants to compete for credits directly against comparable projects. The enacting statute established specific percentages of fiscal year funding available for the following production categories:

- 35% - designated for Non-independent Feature Films
- 5% - designated for Independent Projects
- 40% - designated for New TV Series, TV Pilots, Movies-of-the-week, Mini-series and renewed series already in the Program
- 20% - designated for Relocating TV Series

The CFC is authorized to allocate any unused funds from a specified category to another category with a higher demand, albeit with certain limitations.

Immediately upon enactment, the CFC crafted “emergency” (interim) regulations that took into account feedback from an extensive network of entertainment industry stakeholders. These interim regulations, approved in April 2015, articulate the framework for administration of Program 2.0. They outline the application process, clarify eligibility and tax credit amounts; provide details on the application selection and ranking process, and outline final audit requirements. During the remainder of the fiscal year, the CFC was dedicated to creating guidelines, FAQs, and other tools for applicants, as well as working with the IT team at the Governor’s Office of Business and Economic Development (GO-Biz) to create the online application portal and prepare for the first application period in May 2015. The CFC also worked closely with the California Department of Education and the California Community College Chancellor’s Office to establish procedures for participation by applicants in the Career Readiness Partnership. Finally, the CFC began the recruitment and hiring process for the additional permit, locations library, and tax credit staff required to handle the higher anticipated demand for services due to the three-fold expansion of the tax credit program.

The CFC conducted the first application period for Program 2.0 from May 11-17, 2015. This initial application period was open only to television projects scheduled to begin production on or after July 1. The timing of this application window was structured to capture the network notifications for TV series that will be “picked-up” and moved into active series production. This application period was open to new TV series for networks, premium cable outlets and internet-based distribution, as well as TV pilots. A total of $55.2 million in tax credits was made available for new series, miniseries, movies of the week (MOWs) and pilots, along with $27.6 million reserved specifically for series relocating production to California from out-of-state.

The CFC reviewed the applications to assess each project’s eligibility and jobs ratio score. Applicants with a jobs ratio score within the top 200 percent of applicants were elevated to “Phase II” for further evaluation and review. The Film Commission then assigned credit allocations to the highest ranking projects until the $55.2 million for new series, and $27.6 million for relocating series was allocated. In all, 12 projects were selected. Projects that ranked high but for whom credits were not available, were placed on a waiting list. If any selected projects fail to move into production, projects on the waiting list will be offered tax credits as they become available.

Based on data provided with each application, the 12 selected projects will generate an estimated $550 million in direct in-state spending, including $210 million in wages for below-the-line crew members. The projects include four TV series relocating to California from Louisiana (*American Horror Story*), Georgia (*Hindsight*), Maryland (*VEEP*), and North Carolina (*Secrets and Lies*). The number of projects planning to relocate to California is an early indicator that the expanded incentive program is already working.

The CFC accepted applications for projects in the Feature Film and Independent Project categories from July 13 – 25, 2015. A total of 254 applications were submitted, including 32 applications for non-independent ('studio') feature films, and 222 for independent projects. The CFC is currently reviewing those projects with the highest jobs ratios to confirm which projects are eligible and will receive a tax credit allocation. The CFC will assign credits to the highest-ranking projects until the available funding has been allocated. Projects in the top 200%--for whom credits were not available--will be placed on a waiting list. The Film Commission expects to notify the tax credit recipients by mid-August.

Consistent with the state's original tax credit Program enacted in 2009, Program 2.0 awards tax credits only after selected projects: 1) complete post-production, 2) verify the creation of in-state jobs (in accordance with their jobs-ratio score under Program 2.0), and 3) provide all required documentation, including audited cost reports.

II. Final Summary for the First Generation Tax Credit Program

The original legislation, passed in 2009, established a five-year, $500 million Film & TV Tax Credit Program ($100 million per fiscal year). The Program was extended for an additional year in September 2011, then extended for two more years in September 2012, for a total of $300 million in additional funding. At the time the Program was conceived, it was designed to make the best use of available funding by targeting those productions most likely to leave the state due to incentives offered by other states and countries. Such projects included TV series produced for basic cable, and low-to mid-budget feature films. As the accompanying charts (pp.10-17) indicate, the old Program achieved its goal of keeping many such at-risk projects in the state. However, despite this success, California continued to experience a steady erosion in projects <u>not</u> eligible for the Program, including television series dramas produced for network distribution, and big-budget ('tent-pole') feature films.

The new Tax Credit Program 2.0 was designed specifically to address this problem. The new Program has the potential to capture big budget ("tent-pole") films, as well as TV pilots and all one-hour TV series regardless of distribution outlet. This represents a major strategic expansion of California's Film & TV Tax Credit Program, and is anticipated to draw bigger-budget films and TV series back to the state.

The original 2009 law mandated the California Film Commission to allocate up to $100 million dollars in tax credits each fiscal year - along with any unallocated credits from previous fiscal years - to eligible projects selected by a random lottery. If the amount of credits requested by applicants in any fiscal year exceeded the amount authorized for the program ($100 million annually), credits could be allocated from the succeeding fiscal year. This provision enabled the CFC to allocate two fiscal year's worth of funding in the first year of the program. For all remaining fiscal year allocation periods, the CFC could access only one year's funding. As a result, funding for the old Program ended in June 2015.

Under the old Program rules, tax credit allocations were assigned via a lottery whenever more than one application was received on any given day. To be sure, at the beginning of each application period, the CFC was flooded with hundreds of applications from independent and studio producers eager to film in California. The lottery system helped ensure that tax credits were distributed as equitably and transparently as possible. It was a unique solution to a uniquely California problem: California remains the first choice of the majority of producers and filmmakers, but every year California's relatively modest tax credit Program was immediately over-subscribed. To maximize the ROI of California's tax credits, the new law replaced the random lottery system with a "jobs ratio" ranking system intended to maximize the number of jobs created for each dollar of tax credits issued.

In the past, some projects initially selected to receive an allocation of California tax credits ultimately withdrew from the Program due to a variety of factors – lack of adequate funding, schedule delays that extend beyond the program's timeline requirements, actor or director availability issues, or other unforeseen causes. In such an event, those credits were reassigned to the project next in line on the waiting list. As under the new Program 2.0, the CFC actively manages the waiting list for the remainder of the fiscal year, monitoring the status of productions and assigning tax credits as they become available to the next project on the list.

The CFC will continue to allocate any remaining credits that may become available out of the original $800 million in funding under the old Program, as selected projects withdraw from the program or utilize fewer credits than anticipated based on spending estimates. It is likely that any credits that become available will be allocated to renewed TV series currently in the program. Any other remaining credits will go to active independent film projects that remain on the waiting list. The CFC is authorized to continue allocating these first-generation Program funds until July 2017. Per the statute, any balance of funds not allocated by that date will revert to the general fund, and therefore not roll over to the new program.

Under both programs, the initial allocation is treated as a "reservation" for tax credits. Applicants do not receive their tax credit certificates until they have completed post-production, and the CFC has reviewed <u>all</u> required documentation, including CPA audited cost summaries. The statute also provides that no tax credits could be issued prior to January 1, 2011.

In late 2011, the tax credit program underwent an internal control review - a risk assessment performed by Business, Transportation and Housing Agency (the state agency overseeing the

CFC at the time). The assessment involved a review of the Program's lottery procedure, application review process, internal monitoring systems, database, and final document review. The assessment resulted in a report commending the CFC for having the mitigating controls necessary to manage any Program-related risk. Business, Transportation and Housing management recommended creating and posting online a document with application instructions. This new document was posted to the CFC website in January 2012.

Updated instructions for the entirely distinct Tax Credit Program 2.0 (which includes a new online application process) are now available on the CFC website.

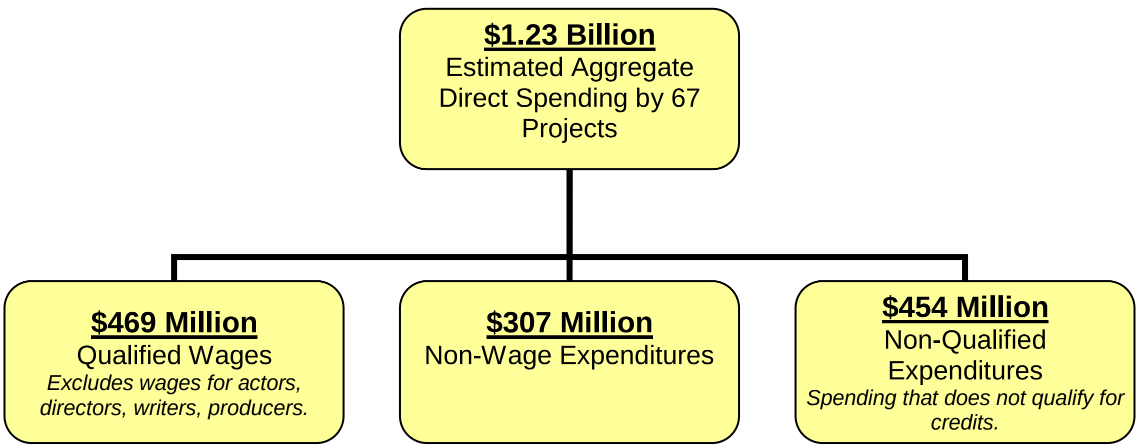
Included in this report, and building on data compiled in previous years, is an analysis of projects that applied for the program but were denied due to lack of credits. This analysis tracks where such projects were ultimately filmed. As in past years, the report also provides a brief overview of California's entertainment industry and the growing competition for our state's motion picture production revenue and jobs. It also includes supplementary background information on the expanding landscape for scripted television series production.

The following pages provide information for each year of the program, with details on project spending and other statistics. All figures reflect <u>direct</u> spending. Generally recognized formulas, or multipliers, reflecting total economic impact <u>are not</u> utilized in this report.

III. Program Year 1 Summary (July 2009 – June 2010)

The CFC began accepting applications on July 1, 2009. By the end of July, all $100 million in tax credits from FY 2009-10 was allocated (i.e., "reserved"). Due to the high volume of applications, the CFC then allocated credits from FY 2010-11. By January 2010, all 2010-11 tax credit allocations had been exhausted. For the remainder of the fiscal year (through June 2010), the CFC maintained a waiting list and continued to approve projects seeking tax credits.

While a total of $200 million was available (as referenced on page 8), ultimately only $154 million was allocated to 67 projects for this fiscal year period. Some projects initially allocated credits withdrew and due to the timing of those withdrawals, any remaining credits were rolled over into the next fiscal year's funding. Program Year 1 impact is as follows:



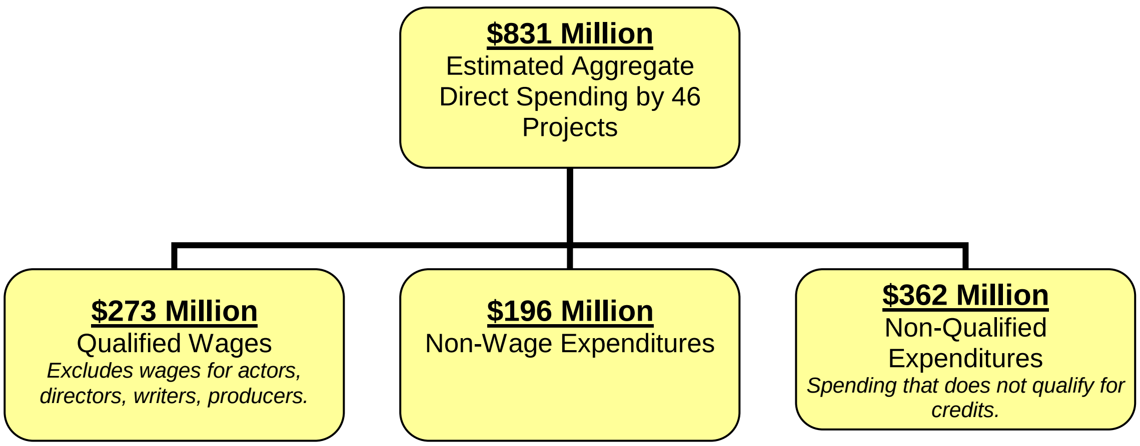
Individuals Hired		
9,000 Crew Members	4,700 Cast Members	110,000 Background Actors

Breakdown by Project Type						
	Feature Films	**TV Movies**	**TV Series**	**Relocating TV Series**	**Mini-Series**	**Total**
Number of Projects	46	13	6	1	1	67
Percentage of Credit Allocation	84 %	4 %	10 %	1 %	1 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	30	37
Percentage of Credit Allocation	10 %	90 %

IV. Program Year 2 Summary (July 2010 – June 2011)

On June 1, 2010, the Film Commission began accepting applications for the FY 2011-12 allocations. These funds were available for allocation on July 1, 2010. Seventy applications were received on June 1st and credit allocations (reservations) were issued to 51 projects exhausting the $100 million in funding available for the fiscal year. The demand for tax credits was a mixed blessing in that the Program proved successful in achieving its objectives, but "sold out" in just one day. The CFC continued to receive applications, and by the end of the fiscal year a total of 119 applications were submitted requesting credits. In total, $95 million in tax credits was allocated to 46 projects, as some projects dropped out towards the end of the fiscal year. Program Year 2 impact is as follows:



Individuals Hired		
6,800 Crew Members	3,700 Cast Members	73,000 Background Actors

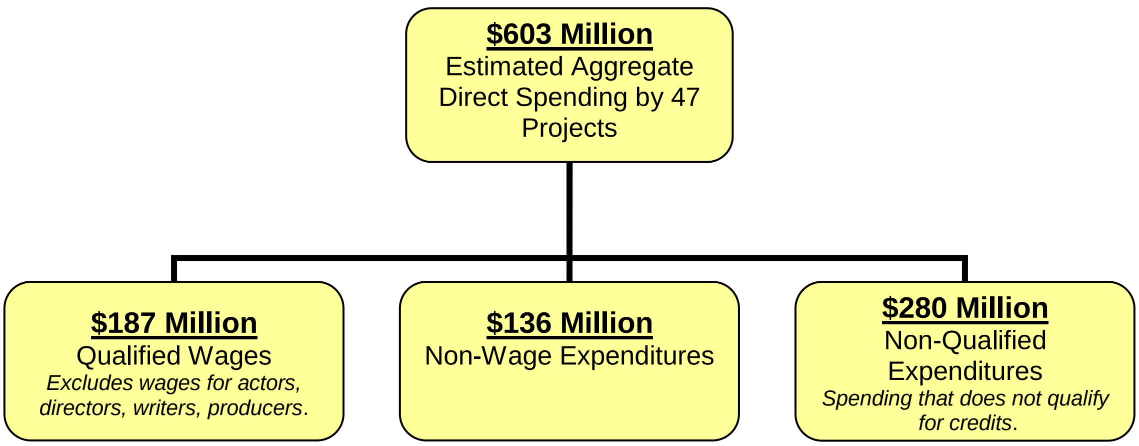
Breakdown by Project Type						
	Feature Films	TV Movies	TV Series	Relocating TV Series	Mini-Series	Total
Number of Projects	21	12	11	2	0	46
Percentage of Credit Allocation	43 %	6 %	38 %	13%	0 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	25	21
Percentage of Credit Allocation	11 %	89 %

V. Program Year 3 Summary (July 2011 – June 2012)

On June 1, 2011, the Film Commission began accepting applications for FY 2012-13. These funds were available for allocation on July 1, 2011. A total of 176 applications were received on the first day of the application period. On that first day, 29 projects received conditional allocations. This exhausted the $100 million in available funding for Program Year 3, and the remaining projects were placed on the waiting list. Once again, the program was oversubscribed in just one day.

During Program Year 3, several large budget projects withdrew, and their credits were re-assigned to a number of small budget independent projects that were on the waitlist. This resulted in an increase in the total number of projects allocated credits from 29 (on the first day) to 47 by the end of the fiscal year. Ultimately, $69 million in tax credits was allocated, as some projects dropped out towards the end of the fiscal year. The estimated[1] impact for Program Year 3 is as follows:



Individuals Hired		
5,600 Crew Members	3,400 Cast Members	55,000 Background Actors

Breakdown by Project Type					
	Feature Films	**TV Movies**	**TV Series**	**Mini-Series**	**Total**
Number of Projects	26	12	9	0	47
Percentage of Credit Allocation	48 %	8 %	44 %	0 %	100 %

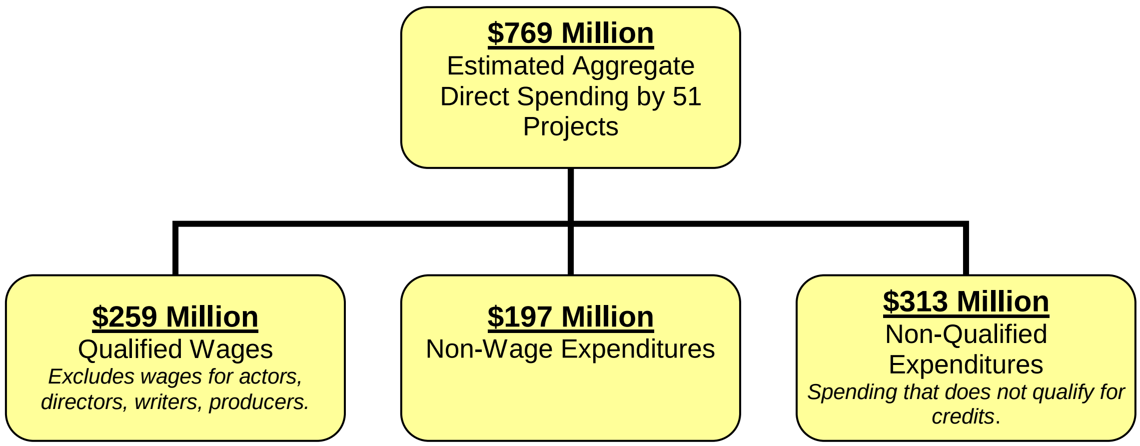
Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	32	15
Percentage of Credit Allocation	33 %	67 %

[1] Some Program Year 3 projects have not submitted final documents.

VI. Program Year 4 Summary (July 2012 – June 2013)

On June 1, 2012, the CFC began accepting applications for the FY 2013-14 allocations. The CFC received 322 applications on the first day of the application period -- an 83 percent increase compared to the 176 applications received in 2012. Credit allocations (reservations) were conditionally issued to 27 projects. As in past years, the program was oversubscribed and all funding was exhausted in just one day. The remaining applications were placed on the waiting list.

As noted in previous years, some projects issued an initial allocation withdrew from the Program, thus freeing up corresponding credits for allocation to projects on the waiting list. During Program Year 4, several large budget projects withdrew, and their reserved credits were reassigned to many small budget independent projects. This resulted in an increase in projects from 27 initially to 51 by the end of the fiscal year. Ultimately, $97 million in tax credits was allocated to those 51 projects.
The preliminary[2] estimated impact for Program Year 4 is as follows:



Individuals Hired		
6,300 Crew Members	3,400 Cast Members	62,000 Background Actors

Breakdown by Project Type					
	Feature Films	**TV Movies**	**TV Series**	**Mini-Series**	**Total**
Number of Projects	25	14	11	1	51
Percentage of Credit Allocation	39 %	6 %	55 %	0 %	100 %

Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	28	23
Percentage of Credit Allocation	16 %	84 %

[2] Some Program Year 4 projects are not yet completed. Data is subject to change.

VII. Program Year 5 Summary (July 2013 – June 2014)

Demand for the Program continued to grow, and on June 3, 2013 the CFC began accepting applications for the FY 2014-15 allocations. On that first day, the CFC received 389 applications – a 21 percent increase compared to 322 applications received the previous year.

As in most prior years, some projects issued an initial allocation withdrew from the Program, thus freeing up corresponding credits for allocation to projects on the waiting list. This resulted in an increase in projects from 31 initially to 43 by the end of the fiscal year. As of June 30, 2014, $106 million in tax credits was allocated to 43 projects. (The additional $6 million in credits rolled over from previous fiscal years.) The preliminary[3] estimated impact for Program Year 5 is as follows:

$816 Million
Estimated Aggregate Direct Spending by 43 Projects

$277 Million
Qualified Wages
Excludes wages for actors, directors, writers, producers.

$228 Million
Non-Wage Expenditures

$311 Million
Non-Qualified Expenditures
Spending that does not qualify for credits.

Individuals Hired		
6,000 Crew Members	3,400 Cast Members	89,000 Background Actors

Breakdown by Project Type

	Feature Films	TV Movies	TV Series	Mini-Series	Total
Number of Projects	22	10	11	0	43
Percentage of Credit Allocation	38 %	3 %	59 %	0 %	100 %

Independent VS. Non-independent Breakdown

	Independent	Non-independent
Number of Projects	26	17
Percentage of Credit Allocation	17 %	83 %

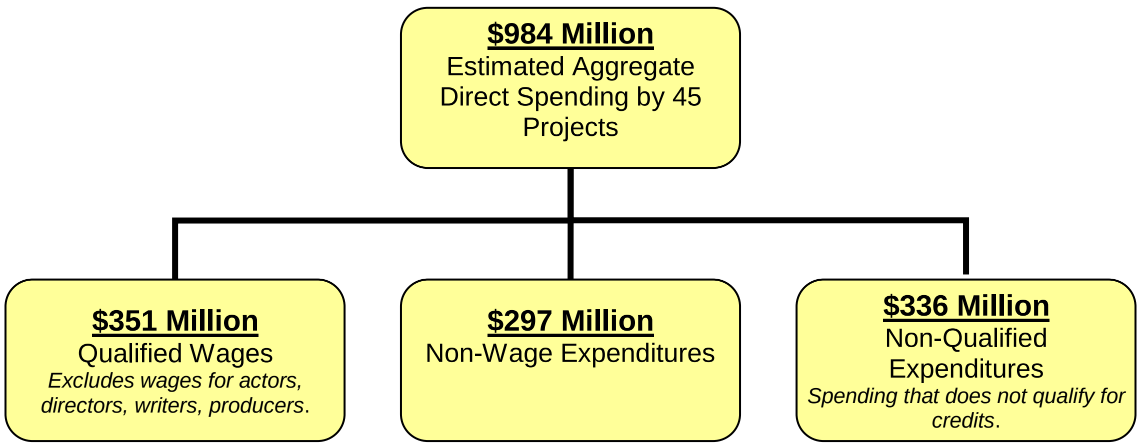
[3] Some Program Year 5 projects are not yet completed, data is subject to change.

VIII. Program Year 6 Summary (July 2014 – June 2015)

On June 2, 2014, the CFC began accepting applications for the FY 2014-15 allocations. A record 502 applications were received at the beginning of the application period - a 29 percent increase compared to 389 applications received last year.

As expected, the program was oversubscribed with all funding exhausted in a single day. The remaining projects were placed on the waiting list.

As of June 30, 2015, $136 million in tax credits was allocated to 45 projects. The preliminary[4] estimated impact for Program Year 5 is as follows:



Individuals Hired		
5,300 Crew Members	3,100 Cast Members	87,000 Background Actors

Breakdown by Project Type					
	Feature Films	**TV Movies**	**TV Series**	**Mini-Series**	**Total**
Number of Projects	21	10	14	0	45
Percentage of Credit Allocation	28 %	3 %	69 %	0 %	100 %

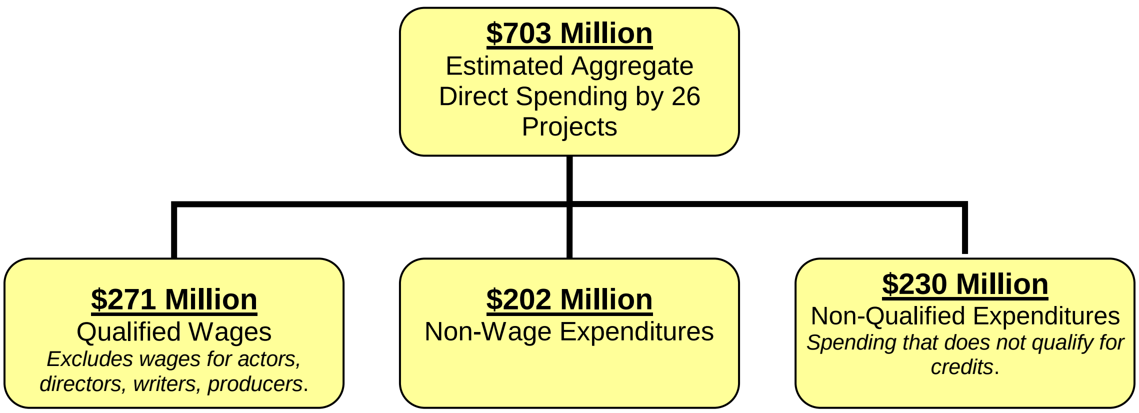
Independent VS. Non-independent Breakdown		
	Independent	**Non-independent**
Number of Projects	27	18
Percentage of Credit Allocation	16 %	84 %

4 Program Year 6 data is subject to change.

IX. Program Year 7 Summary (July 2015 – June 2016)

In order to complete the final lottery of the old program prior to the launch of the newly enacted Film & TV Tax Credit Program 2.0, the CFC began accepting applications for the final FY 2015-16 allocations on April 1, 2015. As anticipated, a majority of the TV series currently in the program will be returning for an additional season thereby exhausting all available credits--except those credits designated for independent film productions. Therefore, the final lottery in April was open only to independent film applicants. The CFC received 246 applications for independent projects during this final application period. As expected, the program was oversubscribed with all funding exhausted in a single day. The remaining projects were placed on the waiting list.

It is expected that some projects issued an initial allocation will withdraw from the Program, thus freeing up corresponding credits for allocation to projects on the waiting list. As of July 1, 2015, $100 million in tax credits has been allocated conditionally to 27 projects. The preliminary[5] estimated impact for Program Year 7 is as follows:



Individuals Hired		
3,100 Crew Members	1,900 Cast Members	67,000 Background Actors

Breakdown by Project Type

	Feature Films	TV Movies	TV Series	Mini-Series	Total
Number of Projects	11	5	11	0	27
Percentage of Credit Allocation	15 %	2 %	83 %	0 %	100 %

Independent VS. Non-independent Breakdown

	Independent	Non-independent
Number of Projects	16	11
Percentage of Credit Allocation	17 %	83 %

5 Program Year 7 data is subject to change.

X. Tax Credit Certificates – Delayed Issuance

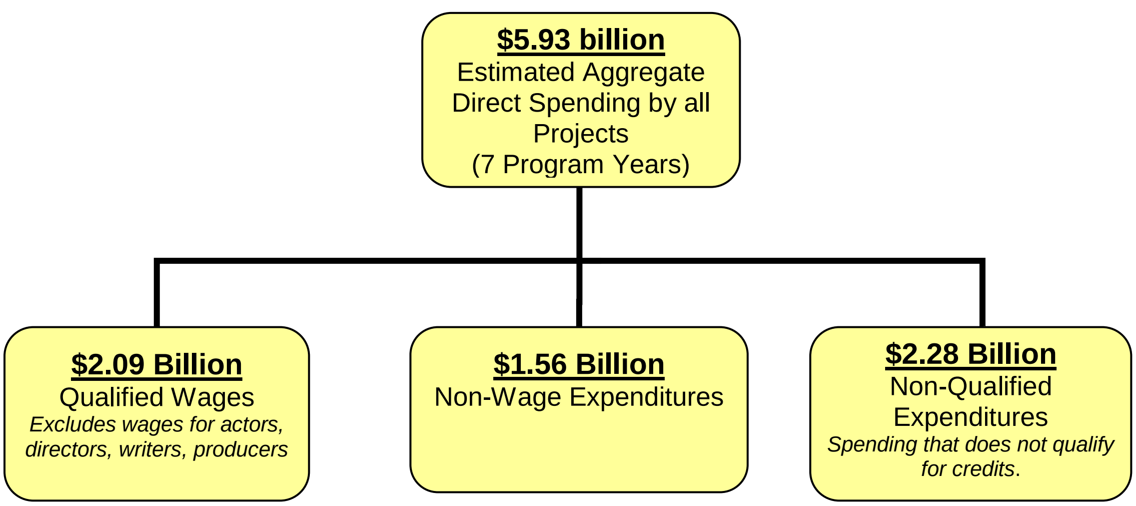
Productions do not receive tax credit certificates (i.e., actual tax credits) until all post-production is completed and the California Film Commission has reviewed all required documentation - including CPA audited cost reports. As per the statute, no credits were issued prior to January 1, 2011. Because of varying production schedules, applicants typically submit their final documentation within 12 – 24 months after they receive their initial allocation letter. The Film Commission generally issues the tax credit certificates within 20 business days of receiving final documentation.

Total tax credit certificates issued to date: $423,998,000 to 214 applicants

- As of June 2014, a total of **$38,275,000** was claimed against sales & use taxes.
- As of June 2014, total tax of **$149,208,000** was claimed against income tax liability**.**

XI. Aggregate Spending and Economic Impact

Including this fiscal year's conditionally allocated tax credits, approximately $760 million in credits has been allocated (reserved) for eligible film and TV projects, enabling **$5.93 billion** in total aggregate direct spending in California, including an estimated **$2.09 billion** in qualified (below-the-line) wages.



Individuals Hired – aggregate for all program years		
42,000 Crew Members	23,000 Cast Members	543,000 Background Actors

Average Spending Impact

Each $100 million in tax credit allocation enables an average of 41 projects to participate in the Program (note the number of projects participating in any given year fluctuates depending on individual project budgets). Based on average aggregate spending by projects from each fiscal year to date, each **$100 million** allocated will generate **$740 million** in direct production spending, including **$261 million** in payroll for below-the-line workers. For each $100 million in tax credits allocated, productions will hire an estimated 8,100 cast and crew members and utilize 10,000 vendors. Collectively, they will also employ more than 68,000 daily hires as extras.

It is important to note that the aggregate *non-qualified* estimated spending of $2.28 billion provides a significant economic boost, as the program does not provide tax credits for this portion of a production's spending. Non-qualified spending typically includes significant payments made to "above-the-line" individuals (actors, producers, directors) who reside in, and pay taxes in, California.

XII. Waitlist Analysis – Status of Projects That Did Not Receive Credits

California's need for a robust Film and Television Tax Credit Program is affirmed by the data. While the state has retained much production as a result of the first-generation Program, a large number of projects that applied were denied due to limited funding. The CFC has tracked the fate of those projects that were denied and subsequently produced without California tax credits. This analysis covers Program Years 2 through 6 (2010-2014).

The analysis in Table #1 reveals that the overwhelming majority of these projects left California to produce out of state. In fact, the state lost 85-percent of production spending by projects that applied but were denied. The data suggests that this spending likely would have remained in-state if the program could accommodate all the projects that applied.

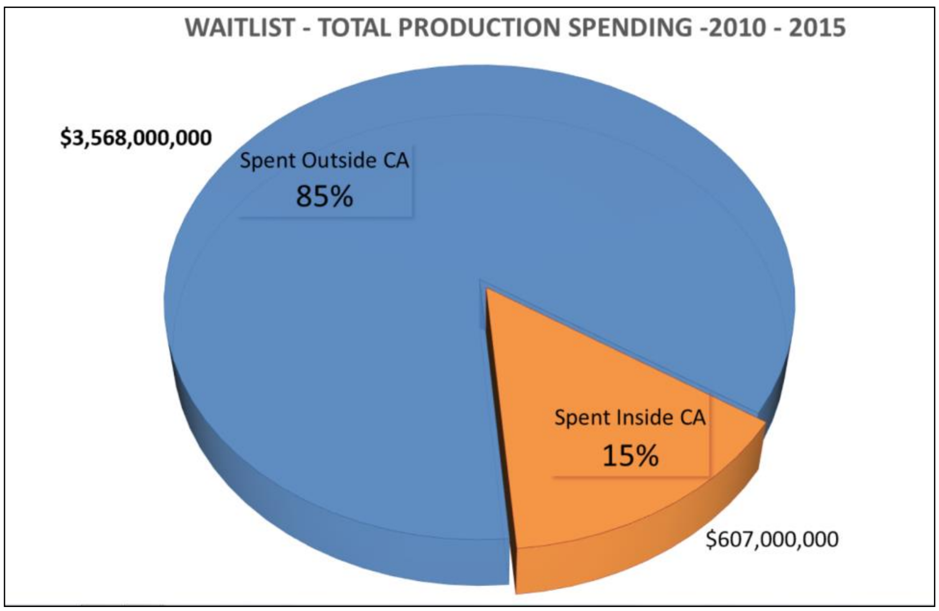


Table #1

Table #2 below illustrates that while some productions elected to shoot in California without a tax credit, the majority of projects – especially those with larger budgets – left. From 2010 – 2015, these 'runaway' projects accounted for $3.5 billion in production spending <u>outside</u> California -- an economic blow to state and local governments, not to mention the state's below-the-line production workers and the businesses that rely on the film/TV production industry. Notably, <u>all</u> of these projects were filmed in states or countries where incentives were available.

Note that the CFC is not able to track projects that don't bother to apply for California's film and TV tax credits or that are ineligible, but anecdotal evidence confirms that many other projects leave the state to access incentives available in other regions.

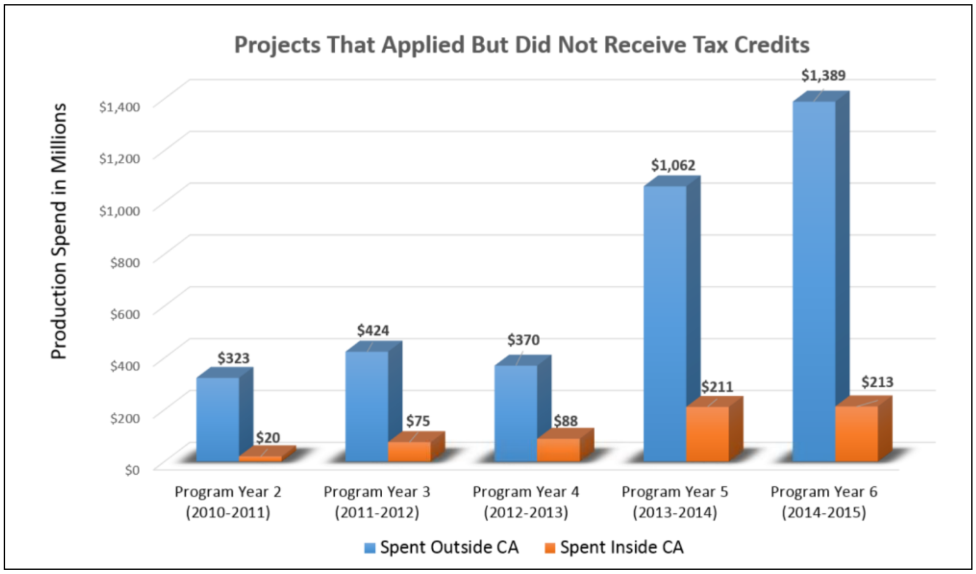


Table # 2

In Program Year 2, 14 projects that applied for but did not receive credits filmed out of state, taking with them $323 million in wages and expenditures. Five projects that did not receive credits chose to stay and film in California, spending $20 million in the state (accounting for just six percent of this category's spending).

In Program Year 3, 16 projects that applied for but did not receive credits filmed out of state, resulting in an estimated revenue loss of $424 million; the estimated in-state spend from the eight projects that remained was $75 million. (Note: One of the projects that remained in-state was a TV series, *American Horror Story,* that since relocated to Louisiana. Without this series, California would have retained only $23 million, or <u>seven</u> percent of that year's spending). Ironically, *American Horror Story* is now one of four TV series relocating to California for the current season after being selected for credits in the new Program 2.0.

In Program Year 4, 21 projects left the state seeking credits elsewhere, causing the state to lose an estimated $370 million in expenditures. The 14 projects that remained spent $88 million in-state, or 19 percent of the total.

Program Year 5 figures continue the trend, with more than $1 billion in production expenditures outside of California by 42 projects shooting in states or countries with incentives, while $211 million (17 percent) was retained, with 26 of these projects filming in California.

An analysis of Program Year 6, revealed that again, California lost revenue as 51 projects out of 66, that did not receive a California incentive, filmed out of state and spent nearly $1.4 billion (87 percent) elsewhere. California retained only $213 million (13 percent) from 15 non-incentivized projects that filmed in state.

XIII. Relocating Television Series

California's prior (first-generation) tax credit Program allowed broader eligibility criteria for TV series that wished to relocate production to California from out of state. These are classified as "relocating TV series," and include scripted 1-hour and half-hour programs for distribution on network, basic or premium cable channels or the internet. Since the tax credit Program launch in 2009, the following series have relocated to California: *Important Things with Demetri Martin* (from New York), *Torchwood* (from U.K.), *Body of Proof* (from Rhode Island), and *Teen Wolf* (from Georgia).

Each year, the CFC has received applications for many TV shows hoping to relocate. Since the Program launched, only those that have received credits have moved to California. Moving an established TV series is costly and requires detailed advanced planning to dismantle, transport and rebuild sets, relocate cast members, find comparable locations, etc. all within a tight time-frame.

The new Program 2.0 improves this provision by establishing distinct funding "buckets," including one exclusively for relocating TV series applicants. This change guarantees that some funds will always be available for relocating series. As noted (on page 7), during the first application cycle for Program 2.0, four relocating TV series were selected and are moving to California from various states – Louisiana (*American Horror Story)*, North Carolina (*Secrets and Lies*), Maryland (*Veep*), and Georgia (*Hindsight*). The obvious plus side for California is the significant economic impact throughout the life of each series. These four series are estimated to spend $169.5 million collectively in a single season in California.

XIV. TV Drama Production - Recent Trends

The old (first-generation) Film and Television Tax Credit Program limited eligibility for TV to 1-hour series produced for distribution on basic cable. Network, premium cable, and Internet series were not eligible for the Program, unless they were relocating from out of state (see page 20).

An analysis of 1-hour TV series from 2005 – 2014 reveals consistent year-over-year industry-wide growth in the number of series produced, from a total of 79 shows in 2005 to 154 in 2014 – a 95% increase. At the same time, the number of 1-hour TV series produced in California has remained static, with just 49 out of 154 choosing to film in state in 2014.

California's market share declined from 65% of all 1-hour TV series produced in 2005 to just 32% of all such shows produced in 2014 -- **a market share decline of more than 50%.**

Most of the growth in 1-hour TV production is attributable to the growth in basic cable production. The number of series produced in this category grew more than 420%, from just 13 one-hour basic cable series in 2005, to 68 basic cable series produced in 2014.

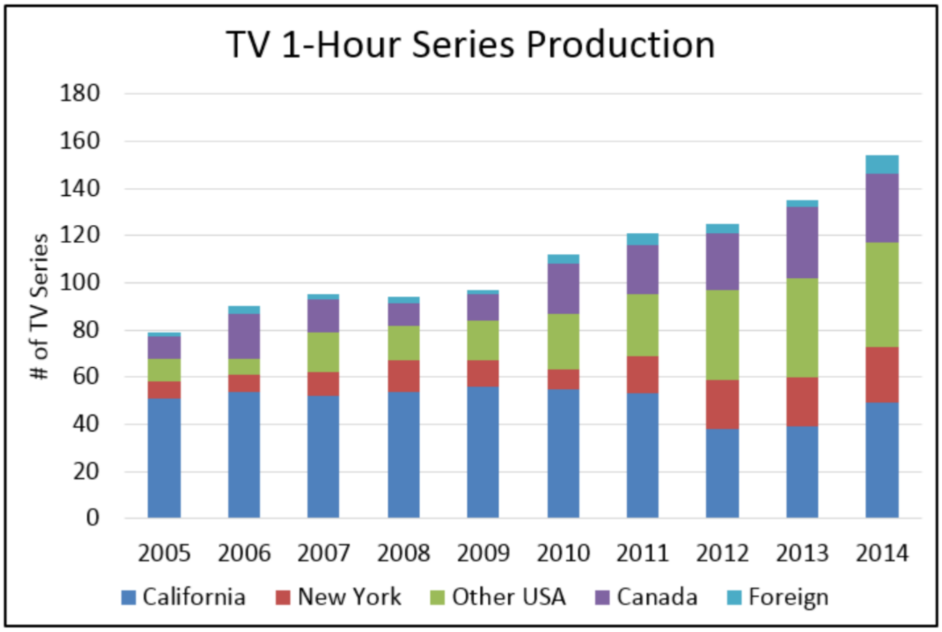


Table # 3

Despite the Program's success in keeping many basic cable series in-state, California's market share of 1-hour basic cable series was just 26% in 2014, as New York and other U.S. states captured 43% of basic cable series production, and Canada hosted 25%. (See Table #4) Note that 1-hour TV series produced for networks were not eligible for the old Program.

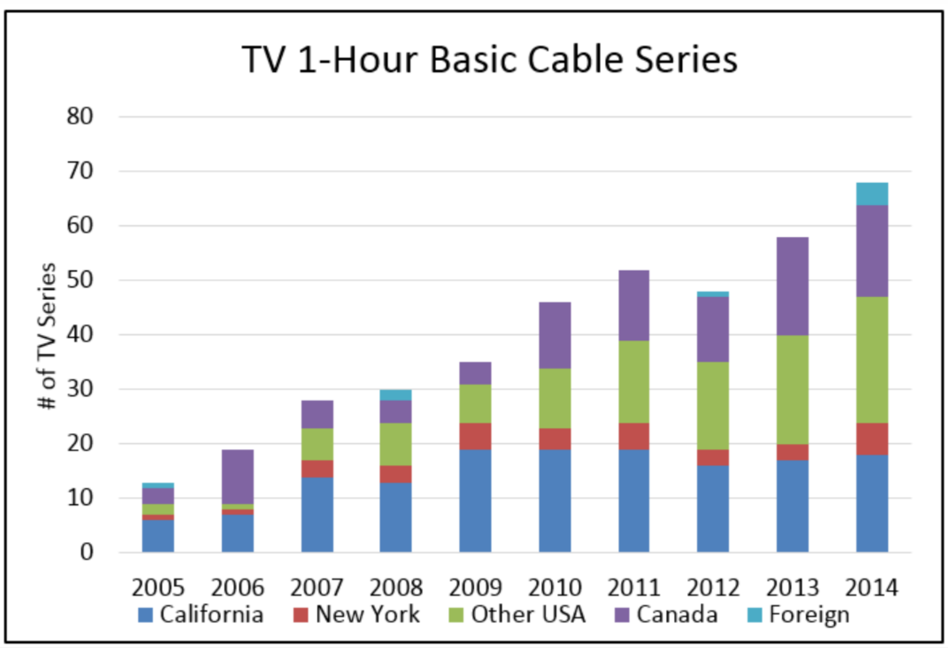


Table # 4

California has lost a significant share of network TV series, suffering a dramatic 51% decline in market share, from 42 out of 57 (74%) network 1-hour productions in 2005, to just 25 out of 72 (36%) of network productions in 2014. Table #5 illustrates corresponding growth in out-of state network TV production.

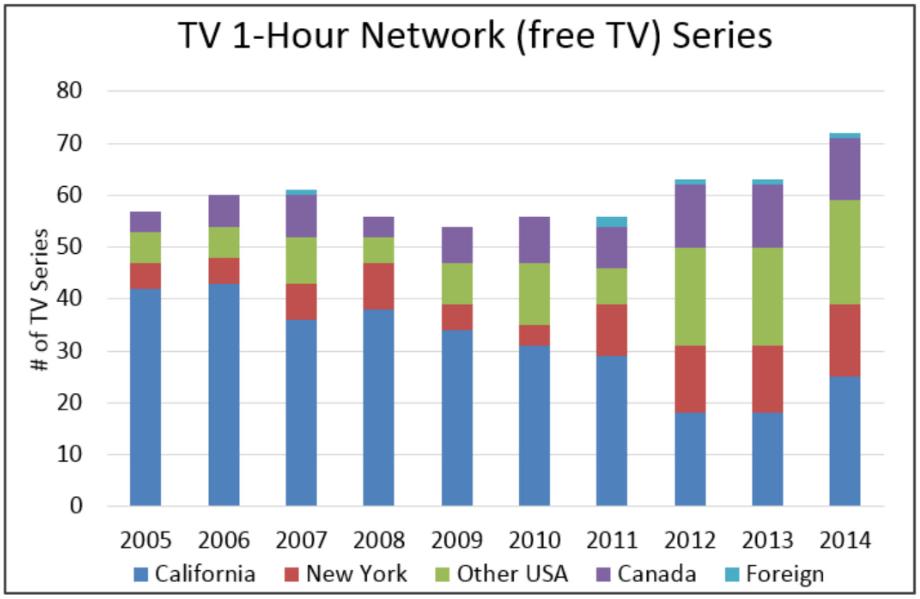


Table # 5

Program 2.0 is structured to recapture some of these network series by expanding eligibility to include 1-hour series for any distribution outlet.

XV. Local Filming and Economic Impact

The legislation that created Program 2.0 is intended to further incentivize production outside of Los Angeles by providing an additional 5% tax credit to any qualified costs associated with shoot days (prep, shoot and strike period) outside the 30-mile Los Angeles Zone. (This added incentive applies only to *non*-independent projects, as independent projects already receive the maximum 25% tax credit.) The regulations added another enticement for out-of-zone work by allowing applicants to accrue bonus points based on the percentage of shooting days outside the 30-mile Zone. Future editions of this report will track any impact this added incentive may cause.

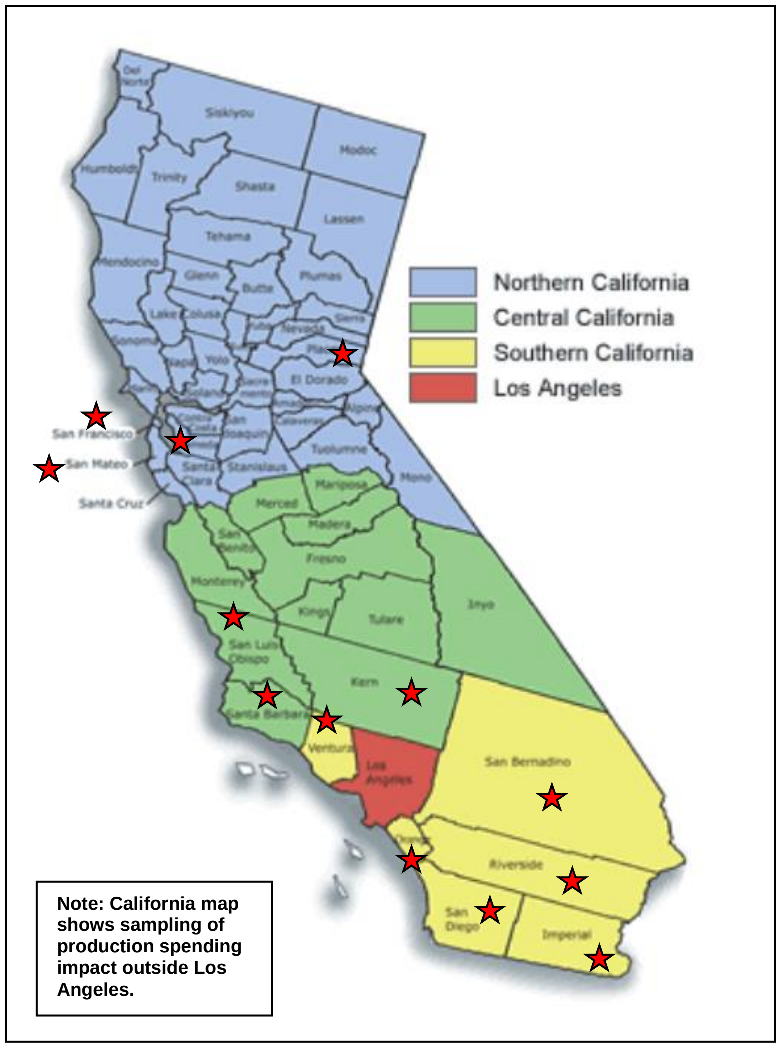
While most California production activity under the old Program occurred in the greater Los Angeles area, other regions across the state nonetheless experienced significant economic impact from tax credit Program productions. A sampling of spending impact outside Los Angeles includes:

- **Alameda County**: In 2010 and in 2011, a feature film and an Emmy Award winning TV movie, *Hemingway & Gellhorn,* shot for several days in Alameda County. These productions were responsible for a total of $4,446,000 in local spending (including $2,276,000 in local wages, $203,000 at local hotels, and $240,000 for food/catering).

- **Imperial County**: In 2014, a Warner Bros. feature film, *American Sniper* and an independent feature film shot for several days in Imperial County.   These two productions were responsible for a total of $817,000 in local spending (including $236,000 in local wages, $351,500 at local hotels, and $18,100 for food/catering).

- **Kern County**: Between 2009 and 2012, three feature films shot for several days in Kern County. These productions were responsible for a total of $276,000 in local spending.

- **Orange County**: Two features, including the Disney film *Saving Mr. Banks*, filmed in Orange County generating $130,000 in local spending.



- **Placer County**: In 2010, a feature film shot for several days in Placer County. This production was responsible for a total of $79,000 in local spending (including $5,700 in local wages, $20,000 at local hotels, and $3,400 for food/catering).

- **Riverside County**: In 2011 and 2013 two feature films shot in Riverside County resulting in $341,000 in local spending (including $16,000 in local wages, $59,000 at local hotels, $41,000 for food purchases.)

- **San Bernardino County**: Six different films shot in San Bernardino including *Argo,* the Academy Award Winner for Best Picture and more recently *American Sniper*. These productions were responsible for more than $1 million in local spending.

- **San Diego County**: In 2009-2010, a television series based its production in San Diego County, and a feature film shot for several days there in 2013. These productions contributed more than $16 million in local spending during the course of their shoots (including $10,508,000 in local wages, $586,000 at local hotels, and $389,000 for food/catering).

- **San Francisco**: In 2011, the Bay Area hosted a TV movie that filmed for 47 days, an independent feature that filmed for 22 days, and portions of a several TV series. Together, these productions were responsible for more than $14 million in local spending (including $8,800,000 in local wages and $294,000 for food/catering).

- **San Luis Obispo County**: One feature film spent several days filming in San Luis Obispo County generating $68,000 in local spend.

- **San Mateo County**: In 2011, the feature film *Chasing Mavericks* shot for 35 days in San Mateo County, resulting in $1.5 million in local spending (including $495,000 in local wages, $160,000 at local hotels and $79,000 for food purchases.)

- **Santa Barbara County**: In 2011, two feature films shot in Santa Barbara and were responsible for more than $410,000 in local spending (including $57,000 in local wages, $68,000 at local hotels, and $71,000 in location fees).

- **Ventura County**: In 2010 and 2011, several feature films shot extensively in Ventura County including *We Bought a Zoo* and *Water for Elephants*. These productions were responsible for more than $6.4 million in local spending (including $2,840,000 in local wages, $153,000 at local hotels, $142,000 for food/catering, and $1,036,000 for location fees).

California's Local Film Incentives

Many regions outside of Los Angeles have created local initiatives to attract film and television production.

Los Angeles
- Provides free use of most available, city-owned locations for filming.
- Entertainment Production Tax Cap - caps tax liability for production costs.
- Business Tax Exemptions are available for qualifying new businesses, small businesses, and creative artists. Reduced tax rates are available to motion picture production businesses.
- Creative Artist Tax Exemption - no tax is required to be paid by a person for gross receipts attributable to "Creative Activities".

Riverside County
- Waives all film permit fees in the unincorporated county.
- Free use of County owned properties for projects lasting 10 days or less.
- Waivers of transient occupancy taxes (TOT) when staying in participating hotels.
- **Palm Springs** offers a $5,000 grant available for qualified productions within the City of Palm Springs; permit fee waiver.
- **San Jacinto** – Waives film permit fees; no fees for filming on city-owned property.
- **Temecula** - No film permit fees.

San Francisco

- Offers a rebate program which refunds up to $600,000 on any fees paid to the City of San Francisco for a scripted or unscripted television episode or feature length film or documentary. This can include permit fees, payroll tax, up to 4 police officers per day, city owned locations, stage space costs, and street closures and more.

Santa Barbara County

- Launched a Media Production Incentive Program which provides a cash rebate to qualified still photo campaigns, commercials, unscripted television, scripted television, and feature films.

Santa Clarita

- Offers a three-part film incentive program that refunds basic permit fees for locally based, recurring and California Film & Television Tax Credit Program approved productions.
- Provides partial refunds of Transient Occupancy (Hotels) Taxes.

XVI. Global Competition for California's Motion Picture Industry

Today's business model for motion picture production continues to rely heavily on tax incentives to reduce production costs. Financing for projects by independent production companies now virtually demands the monetization of tax credits (selling tax credits to third parties) as a key part of the financing structure. Without incentives, most independent projects would not be produced. Therefore, the availability of tax credits has become the key determining factor when it comes to where the vast majority of projects are filmed. Non-independent (studio) productions factor in tax incentives heavily when considering production locations, creating multiple budget comparisons to calculate net costs and savings realized by virtue of tax credits. In addition to international competition from Canada, Australia, the U.K. and most EU nations, nearly 40 U.S. states offer financial incentives to lure production and post-production jobs and spending away from California.

Threat to Infrastructure

Once such incentives take root in other states and countries, those locales effectively develop their long-term infrastructure with stage construction, post-production facilities, and job training programs. For example, incentive-rich jurisdictions such as New Mexico, Louisiana, Massachusetts, Georgia, Toronto and Hungary have all built impressive multi-studio facilities over just the past few years. Many of these regions have instituted education and job training programs.

While production companies will often relocate their relatively small creative teams (producers, actors, directors, writers) to another state for the duration of a film shoot, very few "below-the-line" crew members (e.g., camera technicians, grips, electricians, carpenters, make-up artists, prop masters, drivers) from California are hired. The few that work on-location out of state pay income tax in the work state. Furthermore, skilled California crew members end up training the local workforce so that fewer California workers are needed on subsequent film shoots. This process has helped create a growing pool of skilled local crews across the country and around the world.

Some film industry workers who cannot find work in California have relocated their families to incentive states, resulting in lost tax revenue and a steadily decreasing pool of skilled labor. Some industry labor unions outside of California have seen exponential growth in membership.

As a consequence, California continues to lose market share of film and television production spending and the related pool of skilled labor. Each year, competing states that offer incentives achieve dramatic growth in production spending. In recent years:

- Production spending in Louisiana topped $725 million in 2014 -- a 260 percent increase since the state introduced its incentive in 2003.

- Georgia has seen a 1000 percent increase in production spending since its program began in 2005, with $1.4 billion in production spending reported in 2014.

- New York has succeeded in attracting film and TV industry activity over the last decade. Their Film Production and Post-production Tax Credit programs created over $5.1 billion in direct spending in New York state over the two year period of 2013 and 2014. Sony Pictures Entertainment spent $150 million throughout New York state to produce *The Amazing Spider-Man 2* (including $44 million in wages to New York residents), which was touted as the largest production ever filmed in New York.

- British Columbia, Canada recently announced the opening of a B.C. Film and Television Office in Los Angeles and appointed a special envoy to California for film and digital arts. Production expenditures in B.C. reached an estimated $2 billion in the 2014-2015 fiscal year, up from $1.45 billion the year before.

- Production in the U.K. is booming in all sectors. In 2013, the government increased its tax credits for bigger-budget films, television production and visual effects. The British Film Institute reported that in fiscal year 2014-15 total spend on film production in the U.K. was nearly £1.2 billion with inward investment (financed and controlled from outside the U.K.) contributing 88% of the total.

- New Zealand has grown into a major motion picture hub after production of the *Lord of the Rings* trilogy and *Hobbit* series. The country has used generous tax breaks to lure a host of productions, including *Avatar,* whose director (James Cameron) recently announced three back-to-back sequels that will spend an estimated $1 billion in New Zealand.

Impact of Large-Scale Feature Film Production

Perhaps the segment of entertainment production that has had the most detrimental affect on California's infrastructure is big-budget feature films. Each big-budget production employs thousands of workers and typically utilizes more than a thousand support businesses. They also typically require the use of several very large sound stages for building complex sets.

The loss of big-budget feature films has been particularly devastating for Northern California's film production community. <u>While all of the following films were set in San Francisco,</u> each filmed only a few days in the city:

- *Ant-Man* (Georgia)
- *Age of Adeline* (Vancouver, Canada)
- *Godzilla* (Vancouver, Canada)
- *Dawn of the Planet of the Apes* (Louisiana)
- *Big Eyes* (Vancouver, Canada / U.K.)
- *San Andreas* (Australia)
- *Terminator 5* (Louisiana)

The new Program 2.0 legislation attempts to correct this trend: Program 2.0 no longer restricts eligibility to projects under $75 million. It expands eligibility to attract <u>any</u> size feature film (while restricting the calculation of the tax credit to a maximum of $100 million in qualified spending). This allows any sized feature film to apply, but effectively caps the maximum credit that any one project can receive.

<u>FilmL.A. Feature Film Production Study</u>

FilmL.A., the not-for-profit film office serving the Greater Los Angeles region, issued its 2014 *Feature Film Study* analyzing a sample of 106 U.S. feature films released theatrically that year. The study identified where each project was filmed, along with its production spending in those locations. The 106 films sampled were produced by the six major studios (Disney, NBCUniversal, Paramount, Sony, Warner Bros. and 20th Century Fox) and five of the largest independent studios (Dreamworks, Lionsgate, Weinstein Co., Summit, and Relativity).

The report noted that in 2014, California ranked number one with 22 films from the sample (18 live-action and four animated). This was a positive shift from the previous year, and showed an increase in market share rising to 21% in 2014, from 14% in 2013.

The report also noted that eight of the 18 live-action films that filmed in California in 2014 had qualified for the Film & TV Tax Credit Program. All of the films that shot outside California received an incentive from the competing location.

A notable indication of California's declining share of high-budget production is the analysis of live-action films with budgets in excess of $75 million. Out of 25 live-action big-budget films

released in 2014, only two filmed primarily in California. Soberly, the report notes, "*Looking ahead to 2015 releases, there isn't a single live-action movie with a budget estimate over $100 million that shot primarily in California*."
http://filmla.com/data_reports.php

It is hoped that the new Program 2.0 will begin to address California's significant decline in big-budget 'tent-pole' projects.

California's Visual Effects Industry in Decline

In addition to luring a large portion of film production, many states and countries have enacted incentives that specifically target the visual effects industry. For example, British Columbia, in addition to its provincial and federal tax breaks, provides a 17.5 percent credit on visual effects work produced in the province; Quebec provides an added 16 percent. Significantly, many larger and smaller visual effects companies have relocated to Vancouver - taking their jobs with them.

According to the 2013 Nordcity report titled, *The Economic Contribution of the Film and Television Sector in Canada,* Canada's VFX industry experienced a 67% rise in production activity between 2009 and 2011, as total expenditures increased from $260.7 million to $435.0 million. This VFX activity included production for foreign clients who produced their content elsewhere but engaged Canadian studios to supply VFX services.

The tax breaks in the U.K. are also siphoning off work and talent from California. Industrial Light and Magic (ILM), a premiere Bay-area based visual effects company originally owned by George Lucas, opened a U.K. division, and is working to develop and train locals to handle work for the *Star Wars* trilogy. ILM also has divisions in Vancouver and Singapore.

California companies are having difficulty competing with foreign subsidies that offset visual effects costs. The result has been the scattering of California's visual effects community, with highly-skilled digital artists forced to chase jobs, often overseas. Nearly two dozen California visual effects firms have closed or gone bankrupt in the last decade.

Again, the new Program 2.0 was designed with provisions to incentivize more VFX work to stay in California. Program 2.0 offers an additional 5% tax credit to projects that spend at least $10 million dollars on VFX work in-state, or spend 75% of their total VFX budgets here. Applicants can also accrue bonus points based on their total VFX spending in California. (Please visit the CFC website for all Program 2.0 rules and guidelines.)

XVII. Conclusion

California's modest first-generation tax credit program has achieved its goal of retaining certain targeted productions most susceptible to runaway production. While limited in scope, the old Program generated $5.93 billion in direct spending in the state, including more than $2 billion in payroll. However, due to overwhelming demand the Program could only accommodate a small fraction of those productions that wanted to shoot in California. For this reason, the state continued to experience a pronounced erosion in market share and jobs, especially in the area of big-budget feature films and 1-hr TV dramas.

Recognizing the need for California to address this erosion, and to compete on a global stage, state lawmakers and Governor Brown created the expanded Program 2.0, more than tripling the original funding and making key changes to attract those productions still highly vulnerable to runaway production: high-budget feature films and TV series. Already in the first two application periods, we are seeing the positive effects as four TV series selected for Program 2.0 have relocated to California. These four series are estimated to spend $169.5 million collectively in a single TV season. Over the multiple seasons of a successful TV series the economic impact will be even more significant. With Program funding tripled in size, the state can anticipate even greater gains in both production and employment.

In a highly competitive global environment, California still boasts a superior critical mass of state-of-the-art facilities, highly skilled film crews and the best talent in front of, and behind the camera. By leveraging modest sustainable tax credits against the robust private spending associated with most films and TV series, our state is well-positioned to retain its share of jobs and economic development generated by this uniquely California industry.

XVIII. About the California Film Commission

The California Film Commission (CFC) was created in 1984 to enhance California’s position as the premier location for motion picture production. The CFC supports the state’s film, TV and commercial industry by providing necessary services and encouraging productions to film within the state. The CFC serves as the state's primary liaison between the film production community and all levels of government (including local, state and federal jurisdictions) to eliminate barriers to filming in the state.

The CFC supports the film, TV and commercial production industry by offering support services such as location and troubleshooting assistance, Film and TV tax credits for eligible productions, a one-stop permitting authority for the use of state-owned property for film shoots, an extensive digital location library and a range of other production-related resources and assistance.

The main goal of the CFC is to encourage a business-friendly environment across the state for productions of all sizes, and to enhance the economic climate in California by increasing the number of film and TV productions and keeping crucial film industry jobs in the state.

The CFC works in conjunction with more than 50 local in-state film offices or commissions on film-related issues and specific filming requests from the industry. The partnership between the CFC and local "Regional Film Partners" is an integral part of the CFC's ongoing effort to enhance California's position as the premiere location for film, television, and commercial production.

Appendix

Enacting Legislation

SB X3 15 (Calderon) / ABX3 15 (Krekorian) was enacted in 2009 to create the California Film and Television Tax Credit Program, which provided a five-year, $500 million tax credit to be administered by the California Film Commission.

AB1069 (Fuentes) was enacted in Oct. 2011 to provide a one-year extension to the California Film & Television Tax Credit Program through FY 2014-15. The original bill sought a five-year extension, but was reduced to one-year in the Senate.

AB2026 (Fuentes) was enacted in Sept., 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

SB1197 (Calderon), identical to AB2026, was enacted in Sept., 2012 to provide a two-year extension to the California Film & Television Tax Credit Program through FY 2016-17. The bill sought a five-year extension, but was reduced to a two-year bill in the Senate.

AB1839 (Gatto) was enacted in Sept. 2014 creating a new Film and Television Tax Credit Program for five years and authorized funding at $230 million in FY 2015-16 and $330 million for each of the next four years. It expanded eligibility to include all 1-hour scripted television series regardless of distribution mechanism (network, premium cable, internet TV, etc.), big-budget feature films (but restrict credits to the first $100 million in qualified expenditures), and television pilots.

Supplemental Reports re: California Tax Credit Program

Several studies have reported on California's Film and Television Tax Credit Program. A summary of past economic analyses is included for reference below.

Southern California Association of Governments (SCAG)
In March of 2014, the Southern California Association of Governments (SCAG) released a study titled, *California's Film and Television Tax Credit Program: Assessing Its Impact*. The research was conducted by the Economic and Policy Analysis Group at the Los Angeles County Economic Development Corporation. The SCAG report analyzed projects that had been completed and received credit

allocations from the first three fiscal years of funding and assessed the economic impact during that funding period.

The SCAG report measured the economic and fiscal impacts in terms of the current dollar value of the tax credits issued and found that for each dollar of tax credit certificate issued:

- Total economic activity in the state increased by $19.12
- Labor income per dollar tax credit (including to the self-employed) increased by $7.15
- Total state GDP per dollar tax credit increased by $9.48
- **$1.11 in tax revenue was returned to state and local governments (ROI)**

The report notes that its findings do not include the impact of film-related tourism, which is known to generate significant revenues at all levels of government. The full SCAG study can be found at: http://www.scag.ca.gov/Documents/SCAGFilmReport-Final.pdf

Legislative Analyst's Office Report

The Legislative Analyst's Office (LAO) is required by statute to provide a report on the Program by January 2016. LAO analysts prepared a preliminary report in April 2014 to provide background on the entertainment industry and initial observations on the tax credit program.

The full LAO report can be found at: http://www.lao.ca.gov/reports/2014/finance/tax-credit/film-tv-credit-043014.pdf

Milken Institute

A Milken Institute report released in Feb. 2014, *A Hollywood Exit: What California Must Do to Remain Competitive in Entertainment – and Keep Jobs,* noted that California's stronghold on the entertainment industry is loosening as production jobs are lured to other locations due to production credits and other tax breaks. The report's finding is sobering: "Between 2004 and 2012, the state lost more than 16,000 jobs in filmed production employment – a more than 10 percent drop. Meanwhile, New York, California's main rival, added more than 10,000 such jobs." The full Milken Institute report can be found here: http://www.milkeninstitute.org/publications/publications.taf?function=detail&ID=38801463&cat=resrep

Los Angeles Economic Development Corporation (LAEDC)

In June 2011, the Los Angeles Economic Development Corporation (LAEDC) released a study to determine the economic impact of the tax credit program. The study analyzed the first 77 productions approved for tax credits totaling nearly $200 million. The executive summary states:

> *"During the first two years of the program, California's Film and Television Tax Credit has generated more than $3.8 billion in economic output and is supporting more than 20,000 jobs in California.*
>
> *For every tax credit dollar approved under California's Film and Television Tax Credit program, at least $1.13 in tax revenue will be returned to state and local governments."*

The full study is available at: http://www.film.ca.gov/2011_Reports_&_Studies.htm

Headway Project/ UCLA Institute for Research on Labor and Employment

In Feb. 2012, another report (conducted by The Headway Project in collaboration with the UCLA Institute for Research on Labor and Employment) reviewed the methodology and results of the 2011 LAEDC report. The Headway/UCLA report made adjustments, based on more recent data, and determined that for every dollar in tax credits issued, $1.04 in state and local tax revenues will be returned - rather than $1.13 as indicated in the LAEDC study. Regardless of which report is referenced, the Program has been determined to generate a positive return on investment. The full Headway/UCLA report is available at:
http://www.headwayproject.org/downloads/Headway_Entertainment_Report.pdf.

California's Motion Picture Industry

- The motion picture industry is an essential source of economic activity, tax revenue, jobs and tourism in California. It contributes $30 billion annually to our state's economy while supporting 160,000 well-paying entertainment industry jobs that provide health benefits. (Source: Employment Development Department and Motion Picture Association of America – MPAA)

- The average shooting cost for a feature film or TV series ranges from $100,000 to $300,000 per day. That's actual dollars that each production spends on wages, groceries, hotel rooms, gas, building supplies, props, payroll, etc.

- A typical film shooting outside of Los Angeles County will spend an average of $50,000 per day in the local community. (Source: Association of Film Commissions International - AFCI)

- The national average annual salary for production employees is $89,000 -- well above the national private-sector average. (Source: Legislative Analyst's Office)

- This industry is dominated by small businesses – 80% of entertainment companies employ fewer than 10 people. (Source: MPAA)

- An average $70 million feature film generates $10.6 million in state sales and income taxes. (Source: Los Angeles Economic Development Corp. - LAEDC)

- The motion picture industry is the fifth highest ranking employer in Southern California. (Source: Los Angeles Economic Development Corp. - LAEDC)